Answer on Question #73901 -Economics - Microeconomics

Suppose the price of one unit of labor is Rs. 10 and the price of a unit of capital is Rs. 2.50.

a. Use this information to determine the isocost equations corresponding to a total cost of Rs. 200 and Rs. 500.

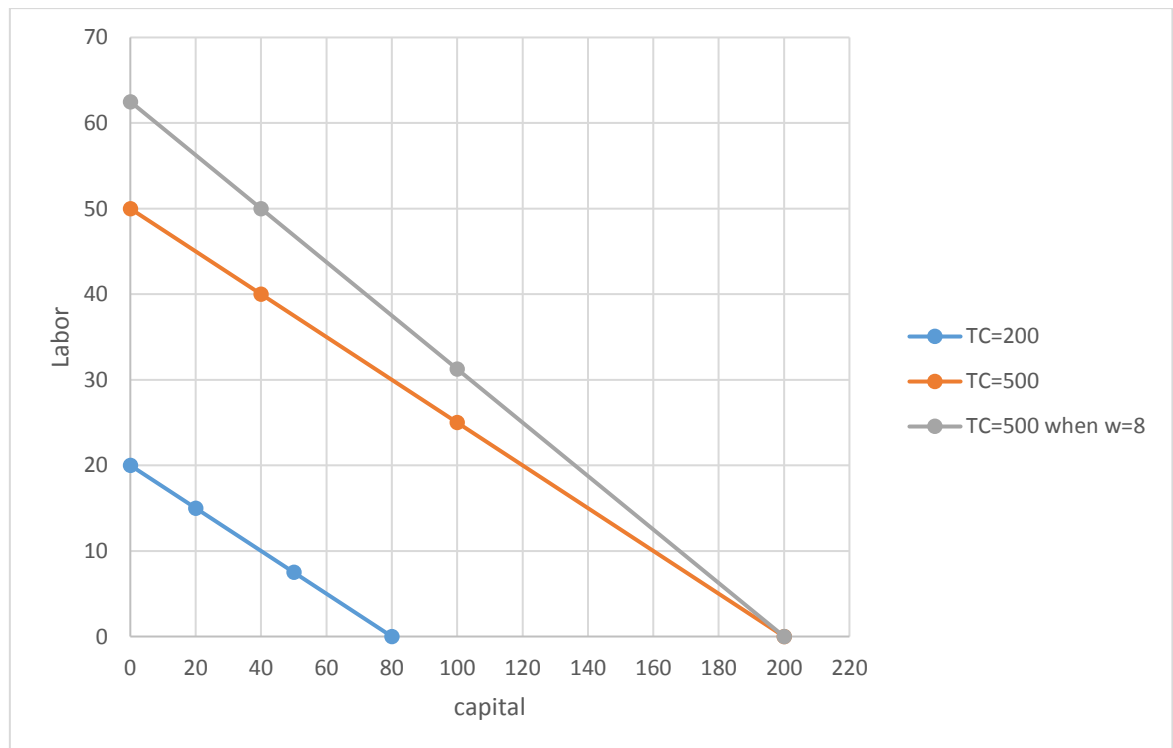b. Plot these two isocost lines on a graph.

c. If the price of labor falls from Rs. 10 per unit to Rs. 8 per unit, determine the new Rs. 500 isocost line and plot it on the same diagram used in part (b).

Answer.

a) $10L+2.5K=200$
$10L+2.5K=500$

b)

c) $8L+2.5K=500$